

Message Text

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ACTION ARA-06

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C O N F I D E N T I A L MEXICO 809

LIMDIS

E.O. 11652: GDS

TAGS: MX CU ESTC CPAS

SUBJECT: US PROBLEMS WITH GOM IN TRADE WITH CUBA/AUTOMOBILES

REF: MEXICO 759 AND 10683

PASS TREASURY AND COMMERCE

1. SUMMARY: GENERAL MANAGERS OF GM AND CHRYSLER MEXICO INFORMED EMBASSY THIS MORNING THAT LOCAL AUTO INDUSTRY HAD BEEN TOLD LAST WEEK BY GOM TO OBTAIN PERMISSION FROM THE DEPARTMENT OF STATE TO EXPORT TO CUBA. END SUMMARY.

2. MANAGERS OF LOCAL AUTOMOBILE INDUSTRY WERE CALLED BY UNDERSECRETARY OF COMMERCE BECKER ON JANUARY 21, OSTENSIBLY TO DISCUSS POSSIBLE WAYS TO IMPROVE BALANCE OF TRADE OF AUTOS AND AUTO PARTS WHICH IS EXPECTED TO DETERIORATE THIS YEAR BECAUSE OF DEPRESSED CONDITIONS IN MEXICO'S MAJOR MARKETS FOR SUCH GOODS AND IMPACT THIS COULD HAVE ON LOCAL LABOR MARKET. MEXICAN REGULATIONS GIVE EACH AUTOMAKER A FIXED QUOTA TO IMPORT PARTS AND REQUIRE THAT ADDITIONAL PARTS BE COVERED BY EXPORT EARNINGS OF AUTOMAKERS. U.S. AUTOMAKERS HERE (FORD, CHRYSLER, GM AND AMERICAN MOTORS) IMPORT ABOUT DOLS 1,400
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WORTH OF GOODS - MOSTLY STAMPINGS - PER UNIT OF PRODUCTION.

3. BECKER RAISED SEVERAL WAYS TO ALLEVIATE AUTOMAKERS' PROBLEMS INCLUDING PRODUCING A LARGER PERCENTAGE OF COMPONENTS LOCALLY. HOWEVER, AT THE TOP OF HIS LIST WAS PROPOSAL TO EXPORT TO CUBA. WHEN U.S. AUTOMAKERS SAID THIS REQUIRED USG APPROVAL, THEY WERE TOLD BY BECKER "TO GET IT." BECKER ALSO SAID THAT CUBA HAD MONEY TO PAY FOR VEHICLES.

4. AUTOMAKERS ARE HAVING A SECOND MEETING WITH BECKER ON JANUARY 28 TO DISCUSS SITUATION FURTHER AND WILL REPORT OUTCOME TO EMBASSY.

5. E/C COUNSELOR AND FINANCIAL ATTACHE INFORMED GM (SLOCUM) AND CHRYSLER (PARKINSON) OF SECTION 31 CFR 515.541(E) (CUBA ASSETS CONTROL) AND OF 14 CFR 385.1 OF EXPORT CONTROL REGULATIONS. DISCUSSED INFORMALLY ALSO SOME POSSIBLE CHANGES IN WIND IN OAS BUT NOTED THAT POSSIBLE MOVEMENT IN OAS WOULD NOT RELIEVE PROBLEM OF U.S. REGULATIONS. ALSO OBVIOUS GOM IN NO MOOD TO WAIT FOR CHANGES.

6. WHEN ASKED THEIR VIEWS ABOUT POSSIBLE GOM REACTIONS TO A NEGATIVE USG RESPONSE, SLOCUM AND PARKINSON WERE RELUCTANT TO SPECULATE. AT A MINIMUM THEY FELT THEY WOULD HAVE IMMEDIATE DIFFICULTY IN OBTAINING PERMISSION TO IMPORT PARTS "ABOVE QUOTA." WITHOUT THESE PARTS NO U.S. FIRM CAN SUPPLY MEXICAN MARKET WHICH EXPECTED TO GROW 8 - 10 PERCENT IN 1975. GOM AND CHRYSLER STATED THEIR U.S. FACTORIES IN NO POSITION TO TAKE ANY MORE CUTBACKS. U.S. FIRMS FEEL THAT VOLKSWAGEN AND RENAULT COULD GET LARGE SHARE OF THEIR MARKET IF THEY CANNOT SUPPLY IT. ALL COMPANIES HAVE APPLIED TO GOM FOR PRICE INCREASES AND THIS MIGHT BE AFFECTED.

7. NEITHER SLOCUM NOR PARKINSON MENTIONED THE POSSIBILITY OF EXPROPRIATION. THEY WERE BOTH COMPLETELY FAMILIAR WITH ARGENTINE CASE. THEY DO NOT BELIEVE ARGENTINA IS IN AS GOOD A POSITION AS MEXICO TO SUPPLY VEHICLES TO CUBA.

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8. IN REPLY TO OUR QUESTIONS, SLOCUM AND PARKINSON SAID THERE WAS NO INDICATION THAT BECKER'S INITIATIVE WAS RELATED TO MEXICO'S POLITICAL OBJECTIVES FOR CUBA THOUGH "OBVIOUSLY THIS SORT OF THING DOESN'T COME FROM A LOW RANKING CIVIL SERVANT IN THE MINISTRY OF INDUSTRY."

9. NEITHER CLOSUM NOR PARKINSON COULD GIVE US ANY IDEA

ABOUT WHAT NUMBER OF UNITS MIGHT BE INVOLVED OR IF IT IS A ONE-SHOT DEAL OR CONTINUING BUSINESS, THOUGH THEY SEEM TO FEEL IT WAS THE LATTER. THEY FELT THERE IS A MARKET FOR BOTH CARS AND TRUCKS. PARTS WOULD, OF COURSE, BE REQUIRED. THEY WILL TRY TO GET BETTER IDEA AT JANUARY 28 MEETING.

10. GOM AND CHRYSLER EXPLAINED THAT FORD IS IN SAME POSITION, BUT FOR SOME REASON HAD NOT WANTED TO COME TO EMBASSY WITH THEM. AMERICAN MOTORS IS IN SPECIAL SITUATION BEING MAJORITY OWNED BY MEXICANS.

11. IN VIEW OF LARGE NUMBER OF GOM DELEGATIONS TO CUBA IN RECENT MONTHS, INCLUDING MRS. ECHEVERRIA'S RECENT TRIP AS WELL AS THAT OF SECRETARY OF NATIONAL PATRIMONY (ALEJO) AND DIRECTOR OF FOREIGN TRADE INSTITUTE (FAESLER), GM AND CHRYSLER MANAGERS BELIEVE GOM PROBABLY HAS A VERY GOOD IDEA OF WHAT THEY CAN SUPPLY CUBA AND WHAT CUBA WANTS.

12. COMMENTS: GM, CHRYSLER AND FORD WILL BE CONTACTING STATE AND TREASURY PROMPTLY WITH THE INTENTION OF OBTAINING EXEMPTIONS FROM THE PERTINENT REGULATIONS. IN EMBASSY'S VIEW, IT WOULD BE HARD TO OVERSTATE LIKELY ADVERSE REACTION IN GOM TO USG REFUSAL OR LONG DELAY FOR SUCH APPLICATION. JOVA

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